



# IOWA HOUSE DEMOCRATS

## BILL and Amendment SUMMARY

# De-appropriations SF 2117

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**Status of Bill:** Appropriations Committee

**Committee:** Appropriations (15-10) (Senate Vote 29-21)

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**Lead Democrat:** Rep Hall

**Floor Manager:** Rep Grassely

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## Background

Senate File 2117 is the Senate's De-appropriations bill. The legislation makes cuts to a wide range of state agencies and departments, as well as a transfer from the Skilled Worker and Job Creation Fund to the general fund.

The Senate passed on a party line vote of 29-21 a total of \$44 million in cuts for the FY 18 budget, with \$34 million of the reductions coming from the general fund. The initial Senate proposal was a total cut of \$59.2 million for FY 18, and a general fund cut of \$52.2 million. The proposal also includes a total of \$2.1 million for a supplemental appropriation to the indigent defense fund and DAS utility costs.

## Summary

### Division 1: Appropriations Reductions

The first division of SF 2117 is where the \$34 million in cuts from the general fund are identified. The legislation requires that within 15 days of the effective date the Department of Management (DOM) in consultation with state agencies and the Judicial Branch to submit a report to the General Assembly and LSA listing the reductions identified. There is also a \$10,000,000 transfer from the Skilled Worker and Job Creation Fund to the general fund. The first division also limits the amount of general fund appropriation for regional tourism marketing to \$750,000, a \$150,000 reduction for FY 18.

### The largest cuts in in SF 2117 are as follows:

- \$14.56 million from the Board of Regents.
- \$6.2 million from the Department of Human Services.
- \$3.4 million from the Department of Corrections.
- \$1.8 million from Community Colleges.
- \$1.6 million from the Judicial Branch.
- \$1.2 million from the Department of Education.

### Restrictions on the cuts identified in Division 1 are as follows:

- Human Services are not allowed to cut any benefits under Medicaid state plan and the approved waivers.
- Department of Education is not allowed to cut the standing appropriation for nonpublic school transportation.
- The Department of Public Safety is not allowed to apply any of the cuts to the Iowa State Patrol.
- Department of Justice cuts are not allowed to touch appropriations to the victim assistance grants.

### **Policy Language in Division 1 of SF 2117**

- Directs DHS to submit a Medicaid state plan amendment to request authorization for a funding mechanism allows supplemental payments for the funding gap between a providers actual costs for Ground Emergency Medical Transportation (GEMT) and the available amount that is currently received Medicaid and other services of reimbursement. This will have the unreimbursed portion of the GEMT costs to be considered as the state portion of the Federal Financial Participation match. This obligation is contingent on federal Medicaid funding.
- Requires Broadlawns and the University of Iowa Hospitals and Clinics to transfer to the Medicaid program the amount of the non-federal portion of the Graduate Medical Education and Disproportionate Share Hospital payments. This is estimated to increase costs to both entities by the following:
  - \$316,485 to UIHC and Broadlawns (Disproportionate Share Hospital payments)
  - \$2,510,160 to UIHC and Broadlawns(Graduate Medical Education)
- Shorten the amount of days a legislator can receive per diem this session to 85 days as opposed to the scheduled 100 days.
- Repeals the \$150,000 for the Governor's transition costs.

### **Division 2: Supplemental Appropriations**

There are three supplemental appropriations in this division of the bill.

- \$1.7 million for the Indigent Defense Fund
- \$451,871 to the Department of Administrative Services for the utilities costs.
- \$64,257 to the Pharmaceutical Settlement Account, this supplemental does not come from the general fund.

### **Division 3: Effective Date**

The legislation is effective upon enactment.

## **Amendment Summary**

### **H-8012 House Appropriations Committee Amendment**

The House Republican budget adjustments are a total of \$10.25 million less in cuts than the plan passed by the Senate and cuts \$22.7 million from the general fund.

### **The House Republican's Largest Cuts are as follows:**

- \$8,133,070 from the Board of Regents
- \$4,316,042 from the Department of Human Services
- \$3,405,688 from the Department of Corrections
- \$1,611,815 from the Judicial Branch
- \$784,830 from the Department of Education
- \$500,000 from Community Colleges
- \$200,000 from the Department of Public Safety

### **Restrictions on Cuts**

- Department of Education is not allowed to cut the standing appropriation for nonpublic school transportation.
- Board of Regents cuts are not allowed to be applied to the University of Northern Iowa, School for the Deaf, and the Braille and Sight Saving School.
- Human Services are not allowed to cut any benefits under Medicaid state plan and the approved waivers.
- Department of Justice cuts are not allowed to touch appropriations to the victim assistance grants.

- The Department of Public Safety is not allowed to apply any of the cuts to the Iowa State Patrol.

#### **Proposals that are in Both the Senate Republican and House Republican Plan**

- Supplemental reimbursement for medical transportation to Medicaid recipients
- Repeal of the \$150,000 for the Governor's transition.
- Scoop of \$10,000,000 for the High Quality Jobs Program

#### **High Quality Jobs Program**

According to their most recent information the program has a current balance of \$11.4 million of available resources. The High Quality Jobs Program provides up to \$1 million the Main Street Iowa Program as well as other programs such as:

- Project completion assistance
- Economic Development Region financial assistance
- Assistance for business accelerators
- Innovation and commercialization
- Disaster recovery
- Entrepreneur investment awards
- Strategic Infrastructure
- Property remediation
- Building remediation

#### **Economic Emergency Fund Changes**

The House Republican's proposal makes significant changes to the Governor's ability to transfer funds from the Economic Emergency Fund. The current maximum amount that can be transferred from the economic emergency fund to the general fund is \$50 million; this is changed to 1% of the adjusted revenue estimate for the fiscal year in which the appropriation is made. In order for the transfer to be made the following requirements must be met: the balance of the general fund is in the negative at the end of the fiscal year and the governor issue a proclamation and notifies the Legislative Fiscal Committee and the Legislative Services Agency that the balance of the general fund is negative and the transfer brings the general fund into balance.

The bill also eliminates 2 of the 4 requirements that need to be met to give the Governor authority to make the transfer to the general fund, including that the accruals were at least one half of one percent less than the estimate of the 3<sup>rd</sup> quarter of the fiscal year.

There is also a retroactive transfer of \$13 million from the Economic Emergency Fund to the general fund on the date of September 28, 2017.

#### **Medicaid**

This House Republican plan changes a prior Medicaid cost containment plan that eliminated the 3 month retroactive coverage for Medicaid applicants, by providing an exemption for Medicaid eligible individuals who are residents of a nursing facility. The department is to adopt emergency rules and seek federal approval for the exemption.

This section will impact around 7 people a month and cost the state about \$140,314 a year.

**Secondary Amendment H-8290 to H-8012 by Grassley of Butler**

This secondary amendment increases the deappropriations for the Board of Regents from \$8.1 million to \$10.9 million for FY 18. The cuts will have to come from the Iowa State University and the University of Iowa.

The amendment also removes the retroactivity of Medicaid coverage for patients in a Nursing Home and the Supplemental Reimbursement for Ground Emergency Medical Transportation. This ground transportation issue was taken care of in a previous piece of legislation earlier this session.

**Secondary Amendment H-8292 by Hall of Woodbury to H-8012- Economic Emergency and Cash reserve Fund**

This amendment prevents any tax cut or tax expenditure acted upon after the effective date of SF 2117 from being implemented until the economic emergency fund and the cash reserve fund are both at their maximum balance.

**Secondary Amendment H-8294 by Taylor of Linn to H-8012 – Economic Emergency Fund Transfer**

Current law requires four conditions to be met for the Governor to transfer money to the Economic Emergency Fund. Those four requirements are:

1. The REC estimate of general fund receipts during the last quarter of the fiscal year or the actual fiscal year receipts and accruals were at least ½ of 1% less than the comparable estimate during the third quarter of the fiscal year. (This requirement is being removed in H-8012)
2. The Governor has made uniform reductions to appropriations and the reductions were not enough to balance the budget, or the Governor was unable to implement uniform reductions because of the lateness of the estimated or actual receipts from the REC. (This requirement is being removed in H-8012)
3. The balance of the general fund was in the negative prior to the transfer from the economic emergency fund.
4. The Governor has issued a proclamation and has notified the co-chairs of the fiscal committee that the previous three requirements were met and reasons why uniform reductions were not enough to prevent the balance of the general fund being in the negative.

**Secondary Amendment H-8293 by Hall of Woodbury to H- 8012- Tax Credit Review**

This amendment calls for an ongoing tax credit review to determine if each credit is effective and efficiently meeting the needs of the credit. The amendment requires the House and Senate Ways and Means Committee to propose legislation in 2019 for a staggered schedule for an automatic repeal for each tax credit administered by the Department of Revenue over the next 5 years. The repeal schedule will be developed in consultation with the Governor’s office and the Department of Revenue. Any tax credit that is reauthorized is again subject to repeal five years after reauthorization.